



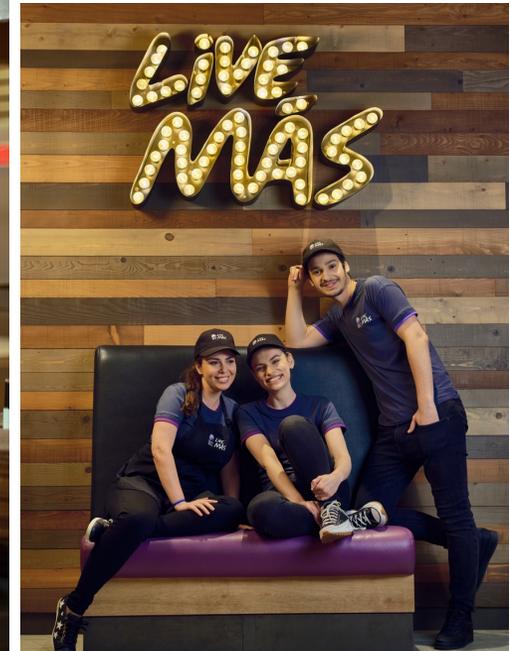
SPHERA



Sphera Franchise Group

Investor Presentation

November 2023



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Therefore, the final results achieved may vary significantly from the forecasts, and the variations may be material.

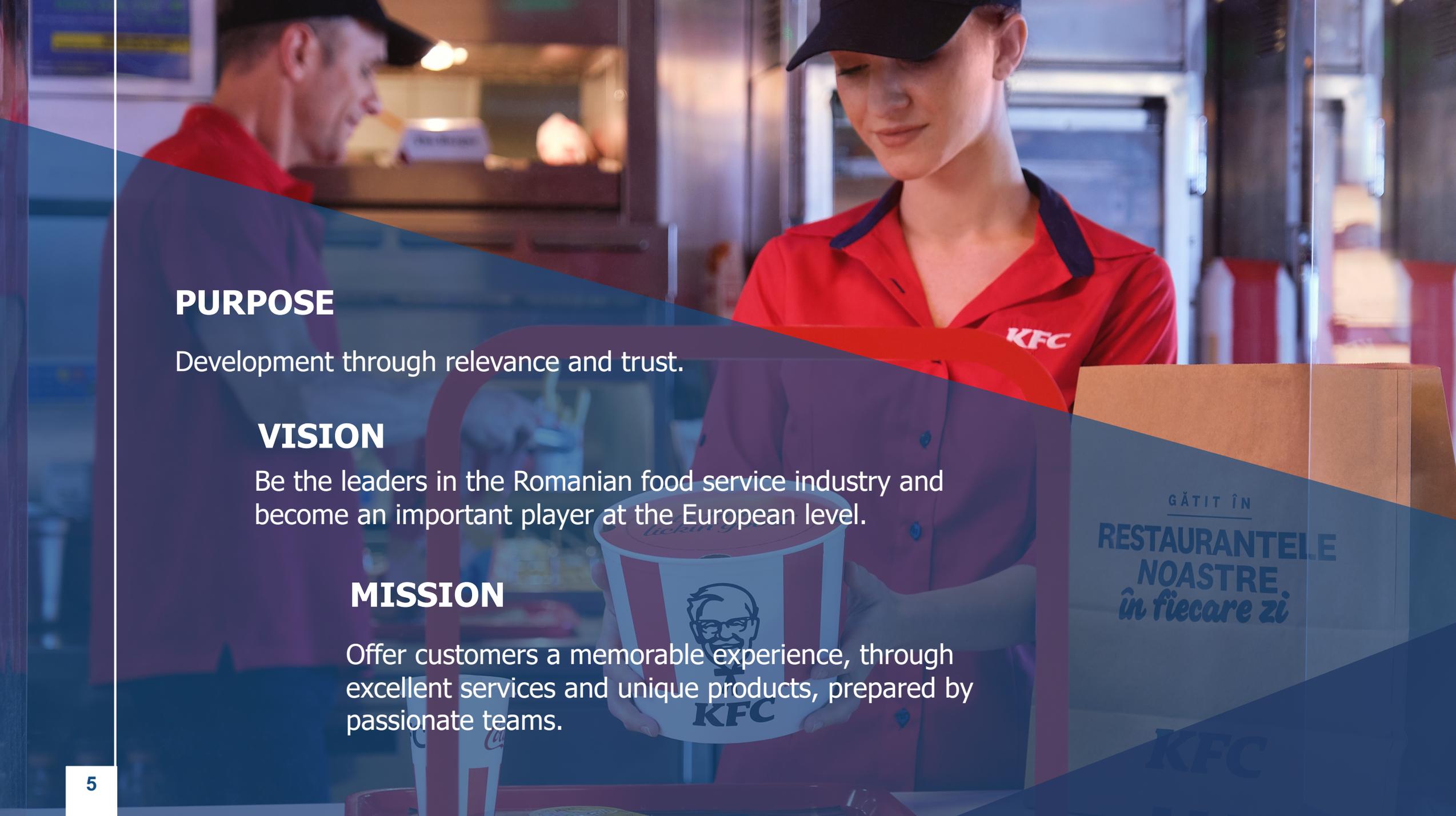
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About Sphera Franchise Group



PURPOSE

Development through relevance and trust.

VISION

Be the leaders in the Romanian food service industry and become an important player at the European level.

MISSION

Offer customers a memorable experience, through excellent services and unique products, prepared by passionate teams.

Sphera Franchise Group at a glance

- Sphera is the leading food operator in **Romania**, operating through subsidiaries in **Moldova and in Italy**.
- Sphera Franchise Group was **incorporated in May 2017** to consolidate all brands operated by the Group since 1994: KFC, Pizza Hut Dine-In, and Pizza Hut Delivery ahead of the IPO.
- In 2017, Sphera secured the franchise for operation of **Taco Bell** restaurants in Romania and opened its first two KFC restaurants in **Italy**; today Sphera is the largest KFC operator in Italy.
- KFC Romania, KFC Italy, Pizza Hut and Taco Bell Romania operate under the **Yum International** Franchise Agreement.
- Quoted on the **Bucharest Stock Exchange** since November 2017; since September 2018 SFG shares are included in the BET index of BVB, as of March 2022, in the FTSE Global Micro Cap index and as of August 2023, in MSCI Frontier & Romania Small Cap.





1st QSR Operator in Romania



1st Full-Service Restaurant Operator in Romania



30 years track-record



3 iconic brands: KFC, Pizza Hut, Taco Bell



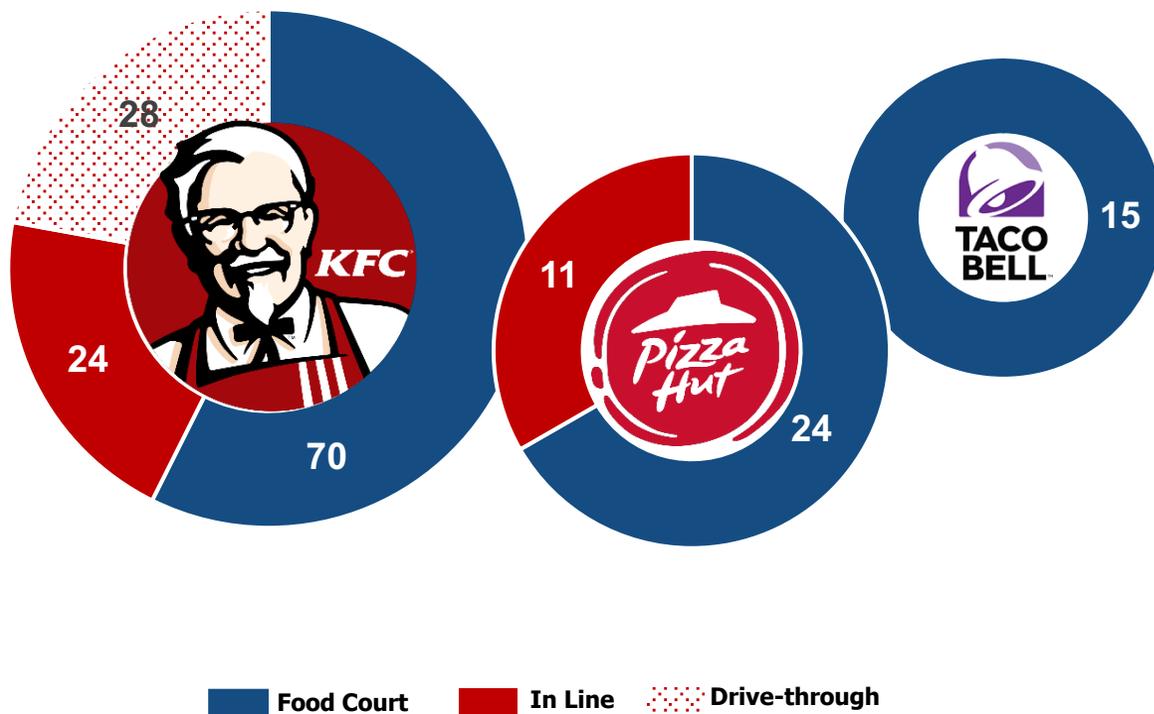
173 restaurants in 3 countries



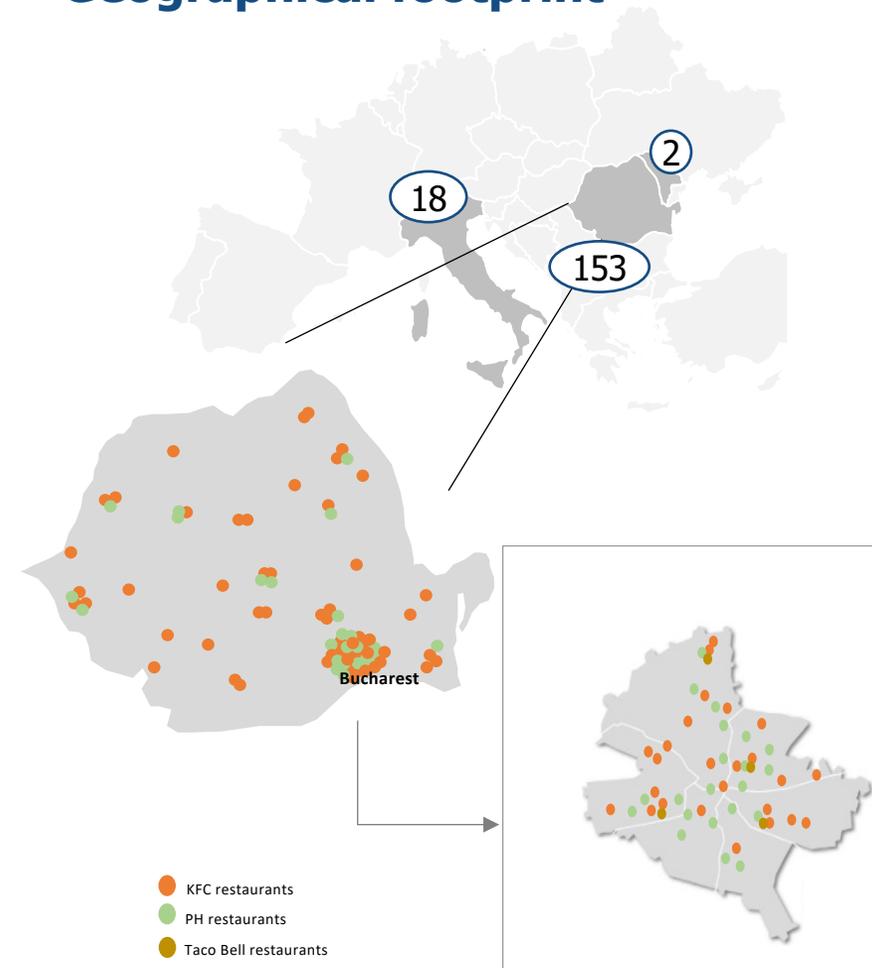
**SFG shares included in BVB
BET & FTSE Russell Micro-cap**

Sphera Franchise Group at a glance

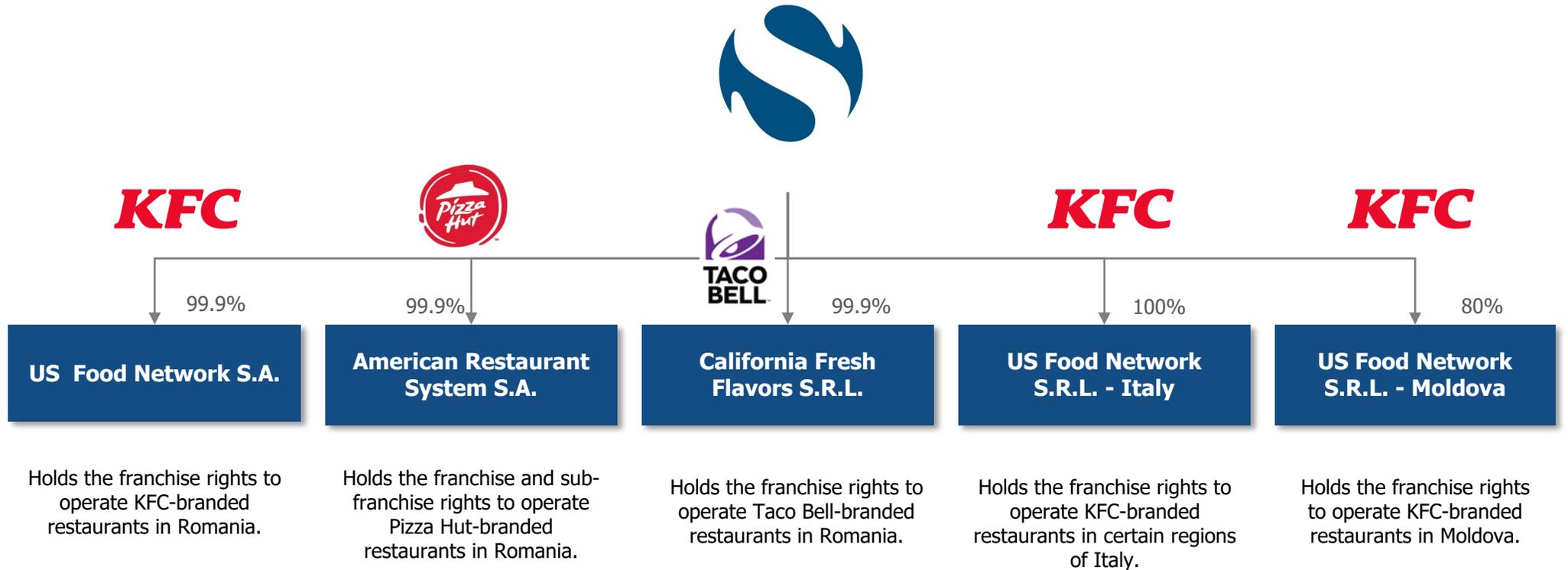
Locations split per brand



Geographical footprint



Sphera Franchise Group corporate structure



Management team



CALIN IONESCU

CEO

Mr Ionescu is the Chief Executive Officer of Sphera Franchise Group since October 2020. Mr. Ionescu has been involved in the restaurant business since 1994, when the first Pizza Hut restaurant operated by ARS was opened. He has occupied various operational positions, from Restaurant Manager to General Manager and, in 2012, Mr. Ionescu was promoted to COO of the Group. During this time, he has actively participated in all expansions of the KFC and Pizza Hut brands in Romania and the Republic of Moldova and in 2016, he laid the foundations for developing the KFC brand in Northeast and North-Western Italy.



VALENTIN BUDES

CFO

Mr Budes is the Chief Financial Officer of the Sphera Franchise Group since May 2019. Mr. Budes is a senior member of the ACCA, holds a certification in risk management issued by the Institute of Internal Auditors of the USA. In Romania, Valentin Budes is an accounting expert member of CECCAR and an insolvency practitioner being a member of UNPIR. His prior experience include financial consulting at KPMG Romania, the financial division within the telecommunications companies of the Telekom Romania group, as well as coordinated the financial activities of the Medcover Romania Group.



MONICA EFTIMIE

CMO

Mrs Eftimie is the Chief Marketing Officer of Sphera Franchise Group since August 2017. From 2013 until 2017 Monica was the Marketing Director of ARS Romania and USFN Romania. In this capacity she led the marketing activities for a portfolio of brands which included KFC, Pizza Hut and Pizza Hut Delivery and for which she developed and implemented marketing campaigns. Mrs Eftimie led the successful launch in Romania of Taco Bell. Mrs Eftimie has 14 years of experience in the QSR experience, including Paul, Accor Group and Saatchi & Saatchi Advertising.

Leading foodservice group in Romania



QSR



- #2 player on the chained QSR segment (21.4% market share)
- #1 player on the QSR chicken segment

- ✓ **88% aided brand awareness among Romanian customers** (Dec'21)
- ✓ Stronger than McDonald's in Brand Power, Usage Funnel and Main Product Attributes
- ✓ High order accessibility, own delivery capacity in selected cities across Romania



SPHERA



- ✓ First Taco Bell was opened in Oct-2017 in Bucharest, largest Mexican food chain in Romania

- ✓ Aided awareness went up 40% in just 4 years (Dec'21)



- #1 player on the pizza chain segment (nearly 3.4% market share from total food service category)

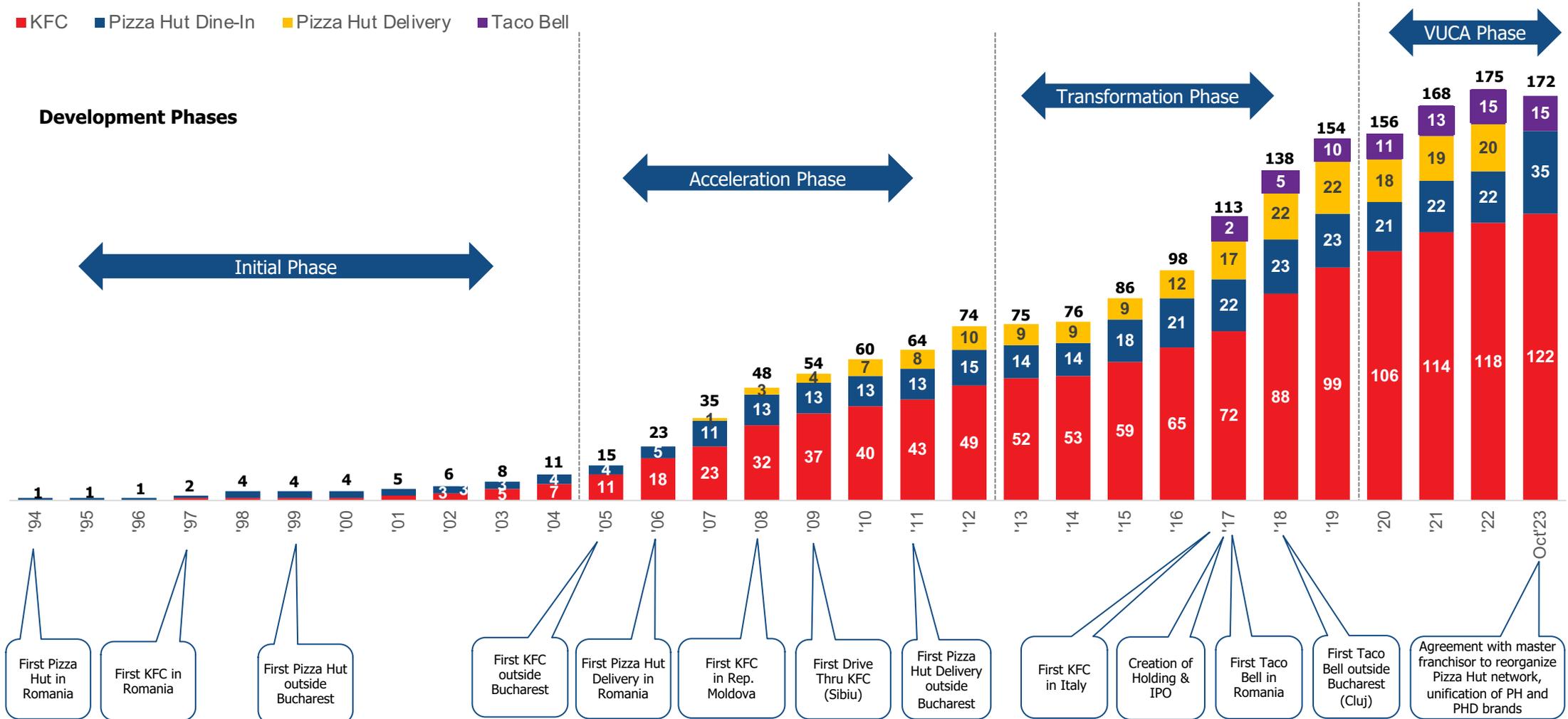
- ✓ The highest awareness in pizza category: 78% aided brand awareness among Romanian customers (Dec'21)

- #2 player on the chain home delivery pizza segment (1.4% market share in value from total food service category)
- ✓ Order accessibility: classic call center lines, dedicated website platform, mobile application, aggregators, click & collect
- ✓ C .50% orders for delivery for Pizza Hut using own delivery & aggregator services

Key investment highlights



Track record of growth & network development

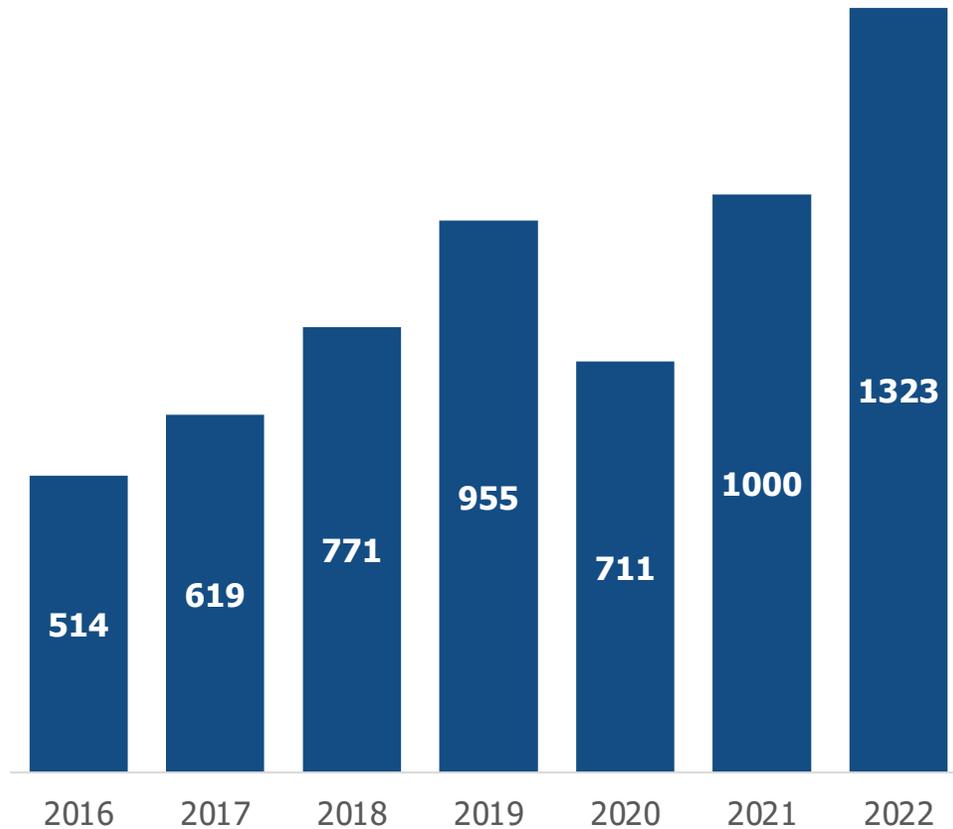


Notes: Restaurants as of 31.10.2023, 1 PHD sub-franchise based in Romania not included above.

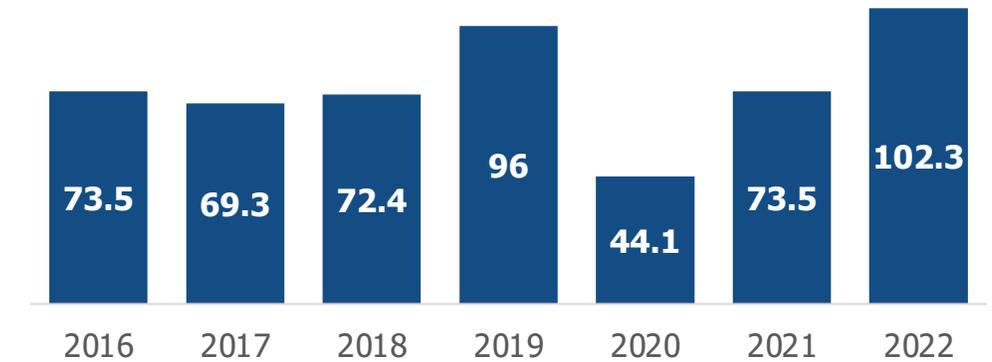
Historical performance, slowed by the pandemic

Turnover

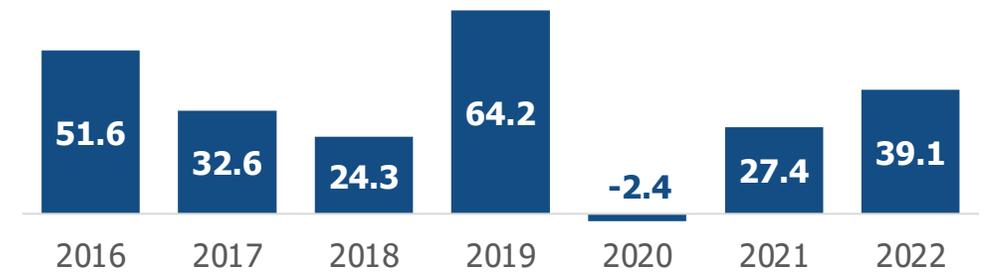
17% CAGR 2016-2022



Normalized EBITDA



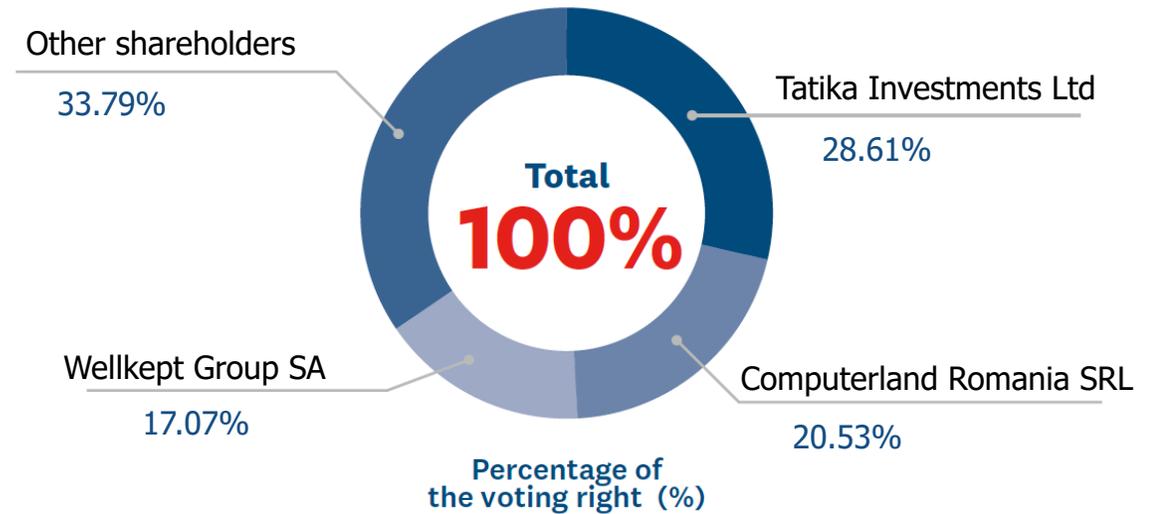
Net profit



SFG on BVB

SFG is quoted on the Main Market of Bucharest Stock Exchange as of November 2017. Since September 2018, SFG shares are included in the reference index of BVB, BET, as of March 2022, in the FTSE Global Micro Cap and as of August 2023, in the MSCI Frontier & Romania Small Cap indices.

SHAREHOLDING STRUCTURE AS OF 30.06.2023



INDICES



ANALYST COVERAGE

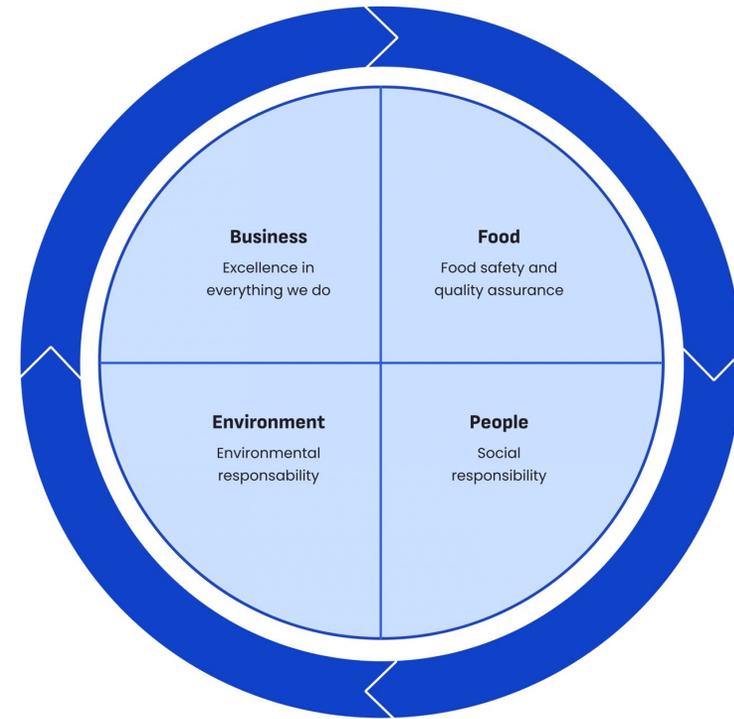


MARKET MAKER



Sustainability

Sphera Franchise Group strategy is based on four pillars and relevant material topics defined together with the organization stakeholders. The management set general and specific medium and long-term objectives, with targets until 2025, aligned with the Sustainable Development Goals. More details about Sphera’s sustainability approach can be found in [2022 Sustainability Report](#).



Target 1

Audits of basic product suppliers according to the Code of Ethics and Conduct and the Sustainability Approach, by 2025.

Target 2

100% of restaurants equipped with kiosk ordering systems (where the surface area and design allow it), by 2021

Target 3

100% of restaurants equipped with digital menu boards, in all KFC and Taco Bell restaurants, by 2022

Target 4

100% of consumption packaging made of recoverable or reusable plastic, by 2025

Target 5

100% energy efficient lighting (LED lighting), by 2024

Target 6

2% of staff hired from vulnerable communities or from among people with disabilities, as well as various nationalities, by 2023

Target 7

50% of operations training programs being available on apps/in digital format or using gamification, by 2022

Target 8

80% rate of inhouse promotion for restaurant management positions, by 2025



9M 2023 Financial Highlights

SFG Performance in 9M 2023

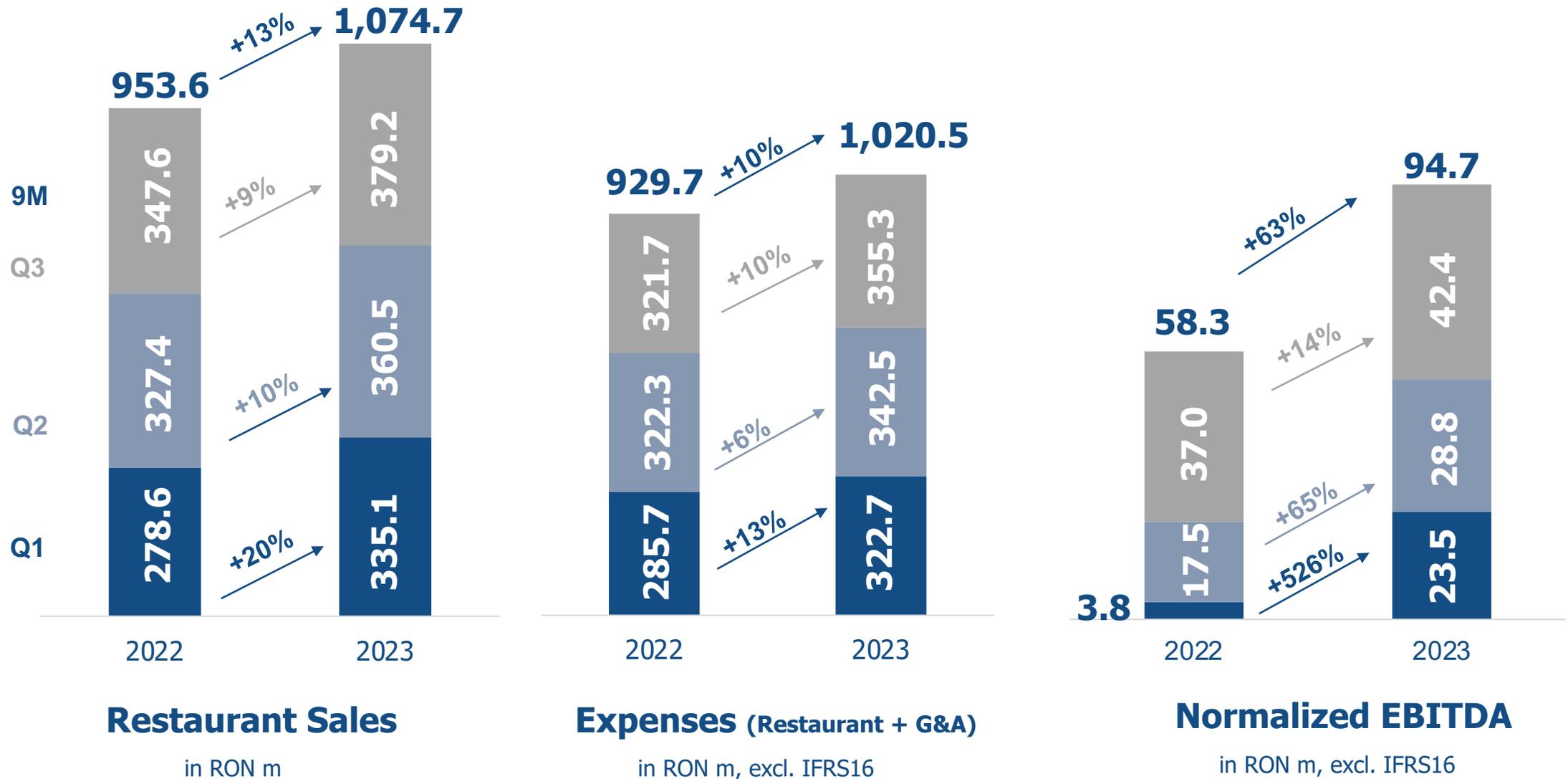


Data in RON'000	9M-23	9M-22	Y/Y %
Restaurant sales	1,074,736	953,594	12.7%
Other restaurant income	-	1,172	-100.0%
Restaurant expenses	974,145	889,856	9.5%
Restaurant operating profit	100,591	64,910	55.0%
General & Admin expenses	46,370	39,824	16.4%
EBITDA	92,072	58,272	58.0%
Normalized* EBITDA	94,704	58,272	62.5%
Operating Profit	54,221	25,086	116.1%
Normalized* operating profit	61,351	25,086	144.6%
Finance costs	9,001	10,459	-13.9%
Finance income	1,191	368	223.8%
Profit before tax	46,411	14,995	209.5%
Normalized* profit before tax	53,541	14,995	257.1%
Income tax expense	10,611	(2,530)	-
Specific Tax	-	1,914	-100.0%
Profit for the period	35,800	15,610	129.3%
Normalized* profit for the period	42,929	15,610	175.0%

- **Strong performance:** the revenues overpassed, for the first time, the milestone of RON 1 billion in sales generated within the first three quarters of the year. This milestone was supported by a 12.7% increase in restaurant sales, from RON 953.6m generated in 9M 2022 to RON 1,074.7m in 9M 2023.
- **Restaurant expenses increased at a slower pace than sales:** Restaurant expenses grew 9.5% from RON 889.9m to RON 974.1m, also reducing their weight in sales with almost 3pp, reaching 90.6% of sales in 9M 2023 versus 93.3% in 9M 2022.
- **More than doubling of the normalized operating profit:** Attributable to an effective pricing strategy and higher sales volumes, the Group reported a normalized operating profit of RON 61.4m for 9M 2023, reflecting a 144.6% YoY increase.
- **EBITDA positive evolution:** The normalized EBITDA increased from RON 58.3m in 9M 2022 to RON 94.7m in 9M 2023, a 62.5% increase. This improvement can be mainly attributed to effective cost-control measures taken across the Group.
- **Almost tripling of profitability in 9M:** The normalized net profit reached RON 42.9m for 9M 2023, versus RON 15.6m in 9M 2022, reflecting a 175% increase.
- **Boost in EBITDA margin:** USFN Moldova saw the highest margin of 16.9%, followed by USFN Romania: 10.5%, USFN Italy: 9%, and CFF: 5.6%.

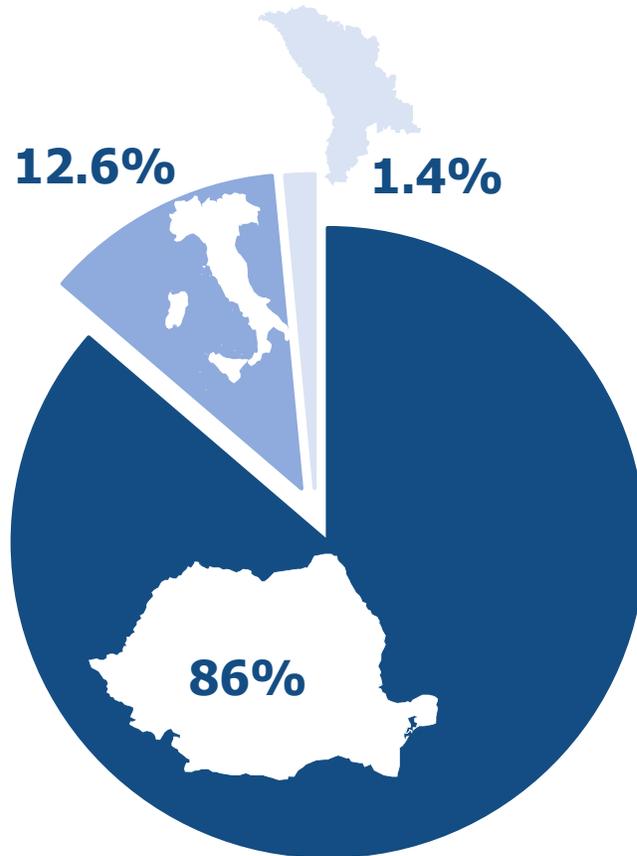
***Normalized indicators:** Exclude the impact of one-offs related primarily to the impairment of closing 13 PH units according to reorganization plan (RON 4.1m), closing cost for the selected Pizza Hut units (RON 2.3m), impairment for temporary closing of a KFC Romana and Paul Romana due to building restoration (RON 0.4m), and other provisions (RON 0.3m).

SFG 9M 2023 Performance

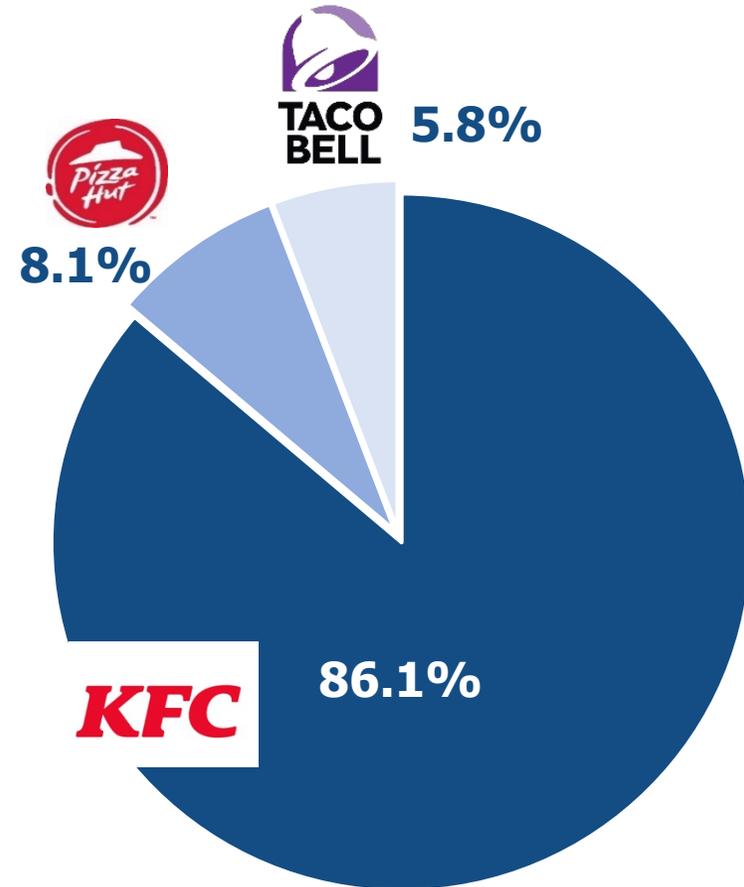


SFG 9M 2023 Performance breakdown

Contribution to 9M 2023 turnover



Per market



Per brand



2022 Financial Highlights

SFG Performance in 2022



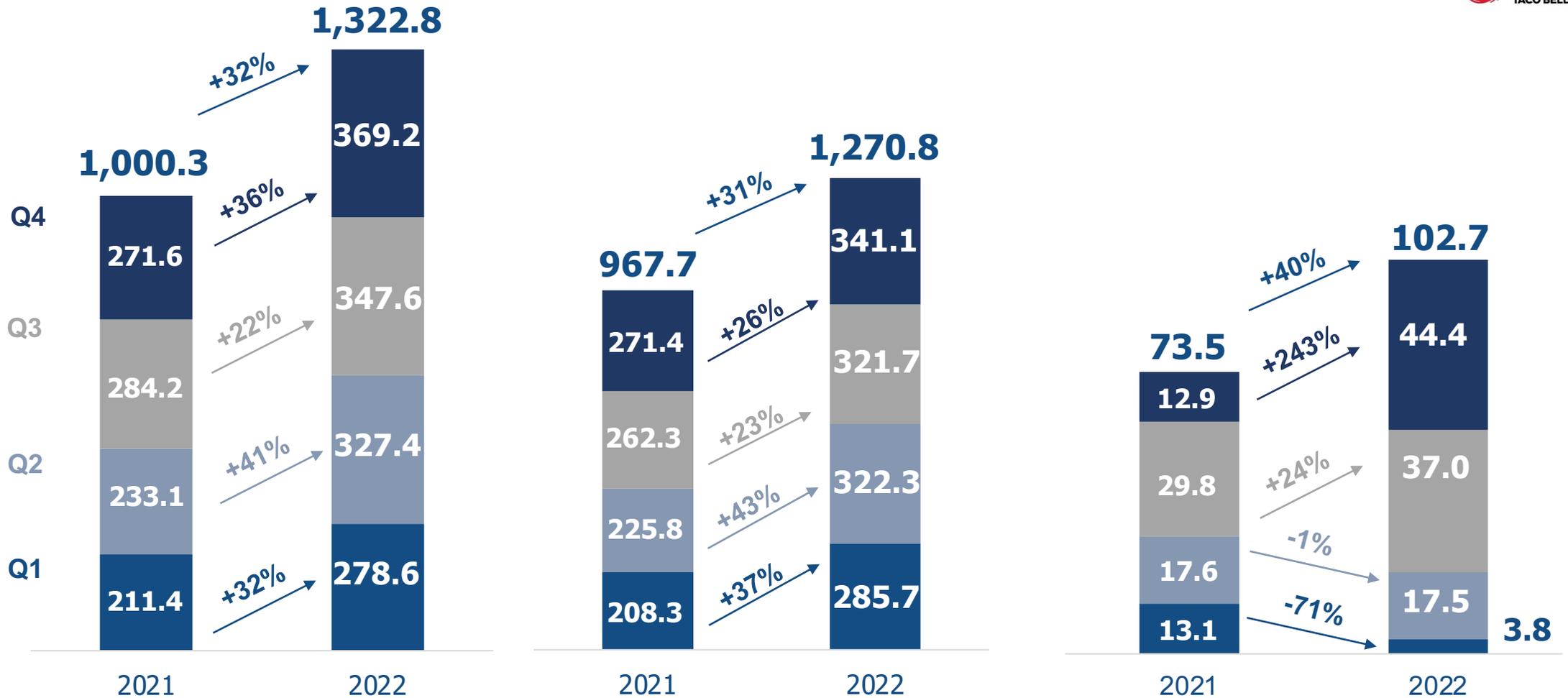
Data in RON'000	2022A	2021A	Y/Y %
Restaurant sales	1,322,822	1,000,312	32.2%
Other restaurant income	1,172	2,627	-55.4%
Restaurant expenses	1,214,438	917,211	32.4%
Restaurant operating profit	109,555	85,728	27.8%
General & Admin expenses	56,389	50,537	11.6%
EBITDA	102,161	75,004	36.2%
Normalized EBITDA*	102,655	73,477	39.7%
Operating Profit	53,166	35,192	51.1%
Finance costs	13,307	8,364	59.1%
Finance income	496	150	231.4%
Profit/(Loss) before tax	40,355	26,977	49.6%
Income tax expense/(credit)	(1,264)	(2,853)	-55.7%
Specific Tax	2,565	2,424	5.8%
Profit for the year	39,054	27,407	42.5%
Normalized profit for the year**	44,270	25,880	71.1%

(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. Normalized EBITDA for 2021 – excludes the reversal of penalties from franchisor Pizza Hut.

(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation. Normalized profit for 2021 excludes the reversal of penalties from franchisor Pizza Hut.

- **Best quarter in Group's history:** Q4'22 continued the positive trend of QoQ increases, with the Group closing the period with record-high results, registering RON 369.2 mn in consolidated sales, a 36% increase compared to Q4'21 and normalized EBITDA of RON 44.4, +243%.
- **All brands had positive restaurant operating profit Q4'22:** Restaurant operating profit tripled YoY, reaching RON 44.6 mn due to the increased customer presence in stores leading to higher transactions overall as well as price adjustments paired with the highest rate of delivery sales through own channels since the onset of the pandemic.
- **Record-high topline of RON 1.3bn:** In 2022, the Group recorded RON 1.3 bn in consolidated restaurant sales, a 32% increase compared to 2021, normalized EBITDA of RON 102.7 mn, a 40% increase YoY, and a normalized net profit of RON 44.3 mn, a 71% increase.
- **Restaurant expenses aligned with pace of sales for FY 2022:** The restaurant expenses in 2022 amounted to RON 1.21 bn, a 32% YoY increase. H1 2022 was very challenging, however, the weight of these costs in net sales in H2 2022 decreased by 7.7pp vs H1 2022.
- **Aggregator sales at sustainable levels:** Aggregator commissions increased 4% in 2022, with the weight of aggregators' commissions in net sales decreasing by 1pp in 2022 vs. 2021.
- **G&A in check:** The weight of G&A in sales decreased with 0.8pp in 2022 vs. 2021, despite a 12% YoY increase, as these expenses reached RON 56.4 mn.
- **Profitable growth trajectory:** The excellent topline performance and positive bottom line in H2'22 helped recover the losses that the Group registered in Q1'22. Normalized net profit for 2022 was RON 44.3 mn, versus RON 25.9 mn for 2021 (+71%).

SFG 2022 Performance



Restaurant Sales

in RON mn

Expenses (Restaurant + G&A)

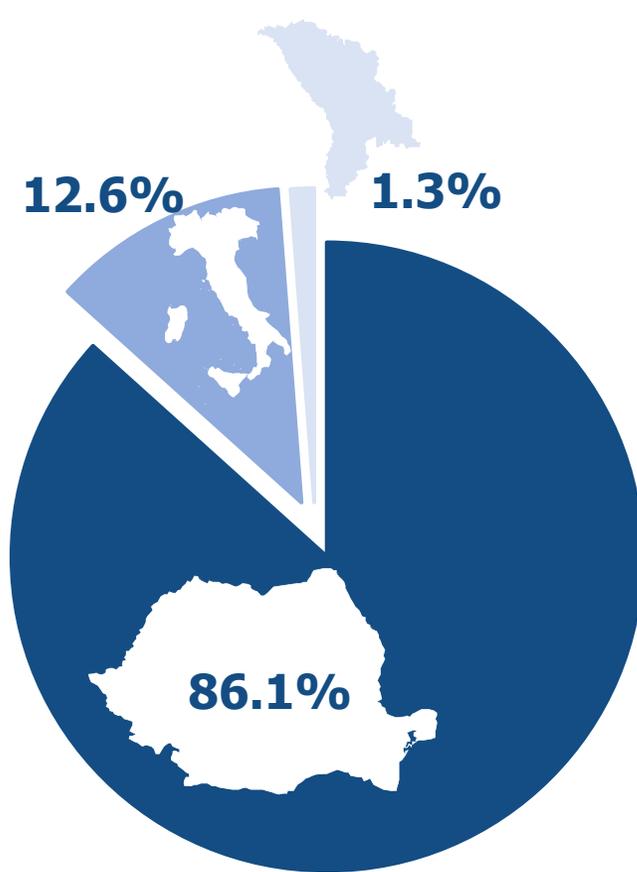
in RON mn, excl. IFRS16

Normalized EBITDA

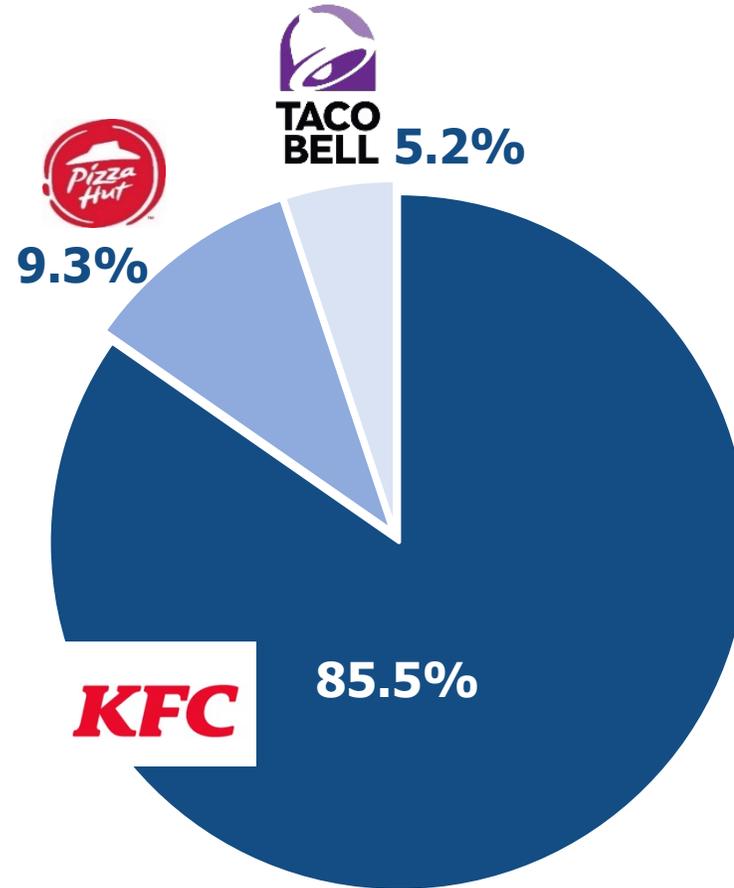
in RON mn, excl. IFRS16

SFG 2022 Performance breakdown

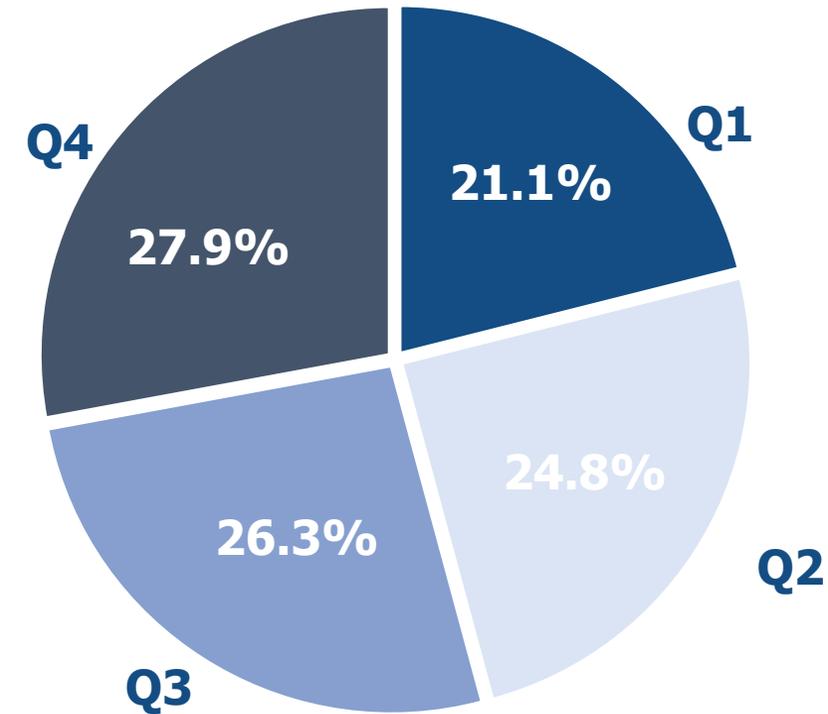
Contribution to 2022 turnover



Per market



Per brand



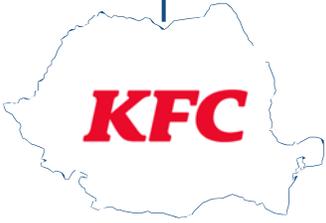
Per quarter

Brand Performance



SPHERA

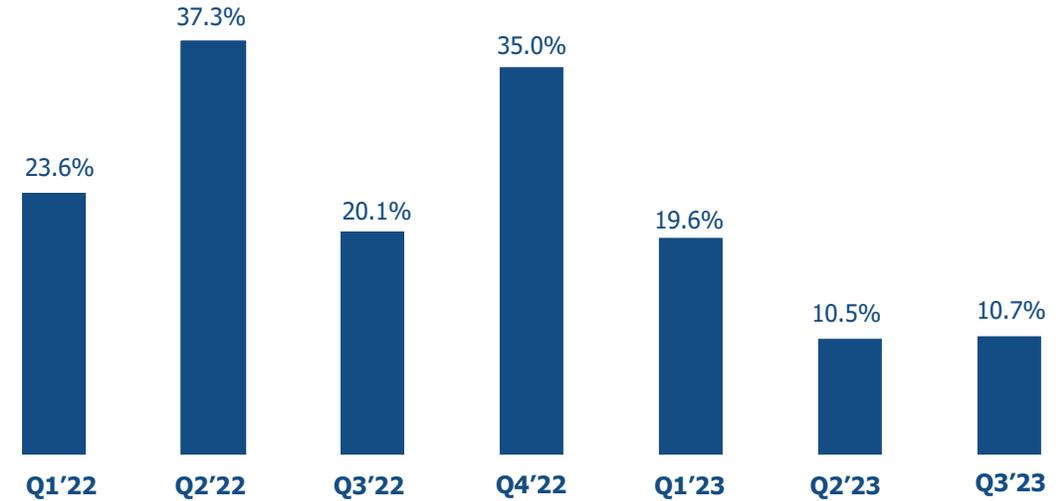




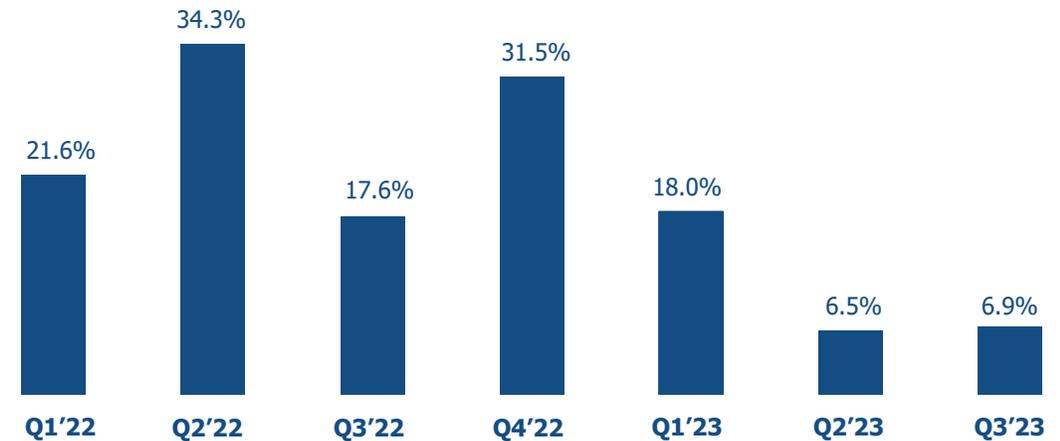
KFC Romania

- Q3'23 was another strong quarter of consolidation for KFC Romania as all store performance improved 10.7% YoY due to solid same store results (+6.9%).
- The sales for delivery in Q3'23 amounted to 16%, stable evolution QoQ.
- In 9M'23, KFC Romania increased EBITDA by 28.7% YoY to RON 81.7m, with EBITDA margin of 10.5% and normalized net profit of RON 51.3m (+29.3%).

All Store Performance



Same Store Performance



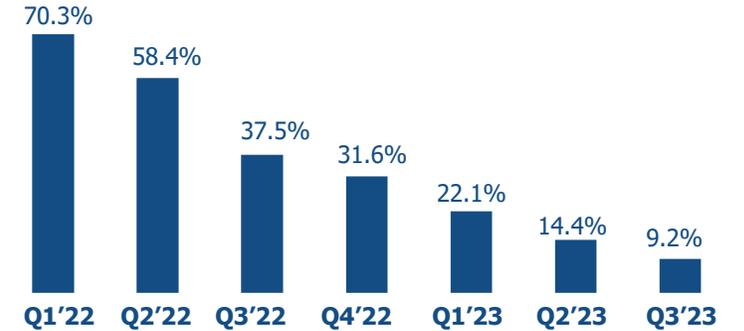


KFC Italy & KFC Republic of Moldova

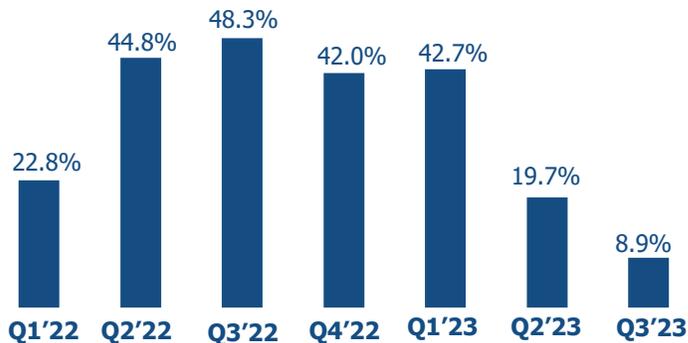
KFC Italy

- All-stores recorded 9.2% sales increase in Q3'23 vs. Q3'22.
- 6% of all orders in Q3'23 were for delivery, 1pp QoQ decrease.
- USFN Italy took EBITDA from negative, as reported in 9M'22, to positive territory in 9M'23. EBITDA amounted to RON 12.2m for 9M'23 (vs negative EBITDA of RON 2m in 9M'22), with EBITDA margin at 9% for 9M'23.
- USFN Italy registered a RON 1.2m net profit in 9M'23 (vs. RON 9.6m net loss in 9M'22).

All Store Performance



All Store Performance



KFC Moldova

- The two stores located in Chisinau continued accelerated sales increases, with all store performance increasing 8.9%.
- Sales for delivery remained constant QoQ, standing at 30% of total sales.
- KFC Moldova closed 9M'23 with EBITDA of RON 2.5m (+28.1%), with a margin of 16.9%, and net profit of RON 1.9m (+33%).

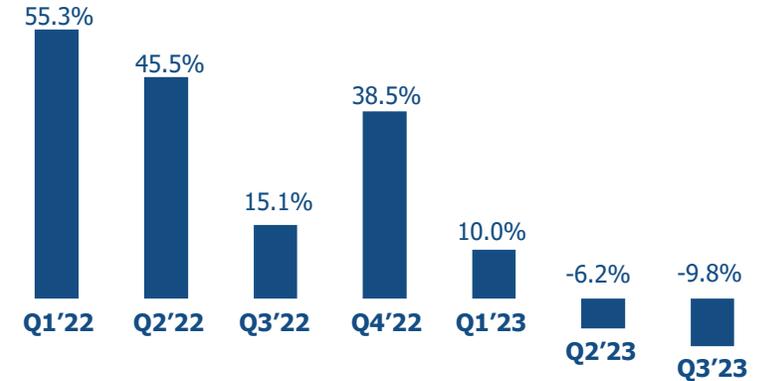


Pizza Hut & Taco Bell

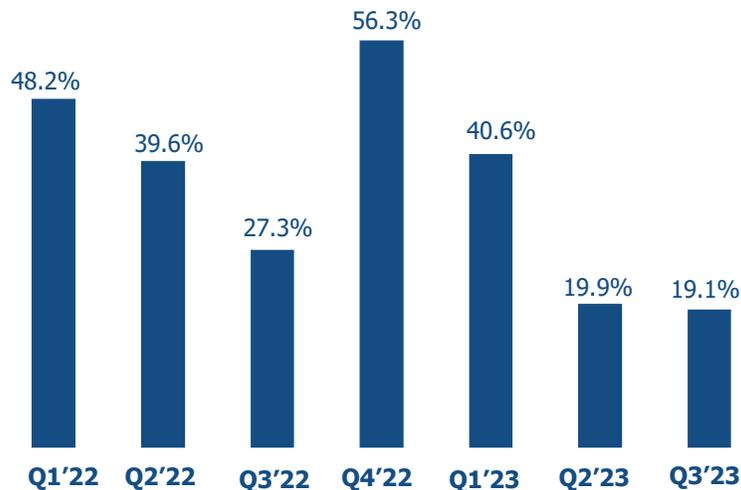
Pizza Hut

- The YoY all store performance registered a 9.8% decrease while the same store sales decreased 9.5%.
- 35% of all orders were made for delivery in Q2'23, a 1pp increase QoQ.
- Pizza Hut closed 9M'23 with a negative normalized EBITDA of -4.6m, and a normalized net loss of RON 9.3m. The normalized effect excludes the impairment and closing costs from Q3'23 related to the restructuring of the network.

All Store Performance



All Store Performance



Taco Bell

- Taco Bell's all store performance in Q3'23 registered a 19.1% increase YoY while same store performance appreciated 14.6%. Between Q4'22 and Q3'23, 1 new Taco Bell was opened.
- 23% of all orders in Q2'23 were for delivery, a 5pp QoQ decrease.
- Taco Bell closed 9M'23 with EBITDA of RON 3.5m (+121.8% vs 9M'22), a 5.6% margin, and a net loss of RON 0.7m (vs. a net loss RON 2.5m for 9M'22).

Latest Business Updates

Development updates



Number of stores

- **178 restaurants operated:** Out of which 101 KFC restaurants in Romania, 2 in Moldova and 18 in Italy, as well as 40 Pizza Hut restaurants, 15 Taco Bell restaurants, 1 PHD subfranchise and 1 Paul restaurant as of 30.09.2023
- **Network evolution in Q3'23:** 1 new KFC opened in Romania in Alba Iulia, in Carolina Mall. 2 Pizza Hut Delivery restaurants in Cluj Centre and Mures Mall in Targu Mures were closed in Q3'23.
- **Continued network streamlining in Q4'23:** In October 2023, the Group opened 2 new KFC restaurants in Romania and closed 1 KFC, 5 Pizza Hut restaurants and 1 Paul restaurant in Romania, having at 31.10.2023, 173 restaurants. The closing of 1 KFC and 1 Paul restaurant is due to external factors (building restoration).

American Restaurant System Restaurant network reorganization

- **Reorganization process:** As of 25.09.2023, the Group begun the process of reorganizing the restaurant network of American Restaurant System, operator of Pizza Hut® and Pizza Hut Delivery® brands in Romania. The process aims to optimize costs, increase agility in the face of high competition, and improve customer experience, which will reflect in improved profitability indicators.
- **Closing units:** The process includes closing of 13 Pizza Hut restaurants over a period of approximately 6 months, particularly units serving areas with a high degree of overlap resulting from the consolidation under one brand and the alignment of Pizza Hut and Pizza Hut Delivery operations.
- **Employees:** The Company aims for the process of efficiency increase to have as little impact as possible on employees, who will be relocated within the Sphera Group network, while the customers will benefit from the same products and services in the nearby Pizza Hut restaurants.
- **New General Manager:** As of September 1st, 2023, the position of General Manager of American Restaurant System S.A. is held by Mr. Costică Mișaca, for an initial mandate of 2 years, valid until 31.08.2025.

Staff & fiscal updates



Staff

- **Employees:** As of 30.09.2023, the Group had 5,143 employees, of which 4,670 were in Romania, 400 in Italy and 73 in the Republic of Moldova.
- **Continuing the digitalization to simplify the sales process:** In Q3 2023, the Group continued the process of digitalizing its network through further deployment of digital kiosks to simplify the selling process, as well as carried on with the project of hiring employees from abroad. Sphera has over 250 employees from Sri Lanka, most of them currently working for USFN Romania.

Fiscal updates

- **Fiscal changes:** Recent fiscal changes are brought by the Law 296/26.10.2023, the increase of income tax for microenterprises from 1% to 3% is applicable for one company within the Group, US Food Network Romania, all other Romanian companies of the Group being corporate income taxpayers. This fiscal change will probably determine the switch from tax on income (1%) to corporate income tax (16%) for USFN Romania, starting Jan 1st, 2024, therefore, all Romanian entities of the Group will apply the same tax regime. The introduction of a new minimum tax of 1% on a taxable basis (detailed in the law) for companies with a turnover higher than EUR 50 million will not be applicable for our Group, as the only company meeting the turnover criteria (USFN Romania) is generating more tax on profit than 1% tax on income.
- **VAT:** Regarding VAT, all non-alcoholic drinks with added sugar (included in NC code 2202) and food products with added sugar whose total sugar content is at least 10 g/100 g product that are currently subject to a 9% VAT will be subject to a 19% VAT starting Jan 1st, 2024.

Capital markets updates



SFG evolution on BVB

- **SFG outperforms reference indices in 9M 2023:** In 9M 2023, SFG shares appreciated 47.9%, while the BET index grew 22.9%. The Total Return on SFG shares in 9M 2023, including the dividend paid on March 31st, 2023, was 51.5%, versus 29.3% increase for the BET-TR index registered in the same period. In Q3'23, SFG shares increased 14.7%, in line with BET index (+14.9%).

Share buyback conclusion

- **Buyback of 104,100 shares for SOP was concluded:** On 03.07.2023 Sphera initiated the share buyback programme for the purpose of implementing SOP. The buyback programme was completed on 04.09.2023. The group bought back 104,100 shares at an average buyback price of RON 19.5715 per share, with the full price paid for the buyback shares repurchased amounting to RON 2,037,392.50.

Dividend distribution

- **Dividend distribution of RON 1.16 per share:** The OGSM from 04.09.2023 approved the dividend distribution of RON 45,007,234.40 from the undistributed net profit of financial years 2020-2022. The ex-date was 18.09.2023, record date – 19.09.2023, and payment date – 10.10.2023.

Marketing updates



The digital normal

- Focusing on ease of access for our consumers who expect frictionless experiences, we continued our digital journey and communicated through digital media our “click & collect” services and ecommerce platforms, with the objective of expanding our user base and gaining repeat visits from existing users.

KFC: Increase transactions and maximize relevance

- Over the summer KFC focused on building innovation and created new occasions for our customers to visit. We successfully launched Hot Bites and reinforced our taste superiority.
- With the aim of growing sales through transactions, value with a spin of product innovation was communicated for the back-to-school period by launching PuiBurger and maintaining the strong sales trend the brand enjoyed in Q2.
- We continued our effort to reinforce the “value for money” perception by communicating disruptive value through our iconic Tuesday Bucket campaign and everyday value through our well-known CEVA platform. Both initiatives drove traffic in the stores and had positive same-store transaction numbers.
- Winning on taste is a strategic pillar for KFC so we launched a campaign to reinforce that real chicken sourced from local producers is cooked by hand daily in our stores. Since consumers could be skeptical, we offered a natural-intelligence platform called chat KFC where real people answered real questions about real chicken in real time.
- We launched a new recruitment campaign to add more passionate employees to our restaurant teams who will continue to offer our customers memorable experiences.

Marketing updates



Pizza Hut: Build sales and increase distinctiveness

- To stay relevant to our clients and unlock new pizza territories, over the summer Pizza Hut introduced a new pizza innovation, Crown pizza, with the aim of attracting both new and lapsed users.
- With the objective of improving transaction levels, the brand communicated Family Deals for the back-to-school period, offering any medium pizza at an affordable price which increased trial.
- As a secondary layer, Pizza Hut focused on communicating disruptive value through its early-week special offers and everyday value through the launch of My Box, initiatives which attracted price-conscious consumers without cannibalizing sales.

Taco Bell: Drive trial and build brand

- Taco Bell concentrated its communication in Q3 on value for core products by launching LIL Burrito and LIL Crunchwrap, both fan favorites, with the aim of increasing consideration and creating differentiation from local competitors. Both campaigns resulted in double-digit same-store sales and transactions growth.
- With the aim of continuing to build a cult brand and to deliver strong sales Taco Bell re-launched this year its “nothing ordinary” brand campaign which communicated its distinctiveness of the experience and products offered to its customers.

Make good easy

- As part of our on-going commitment to our local communities we expanded “Tomorrow’s meal” by adding a new partner, to address the nutritional and educational needs of disadvantaged children and youth.



SPHERA

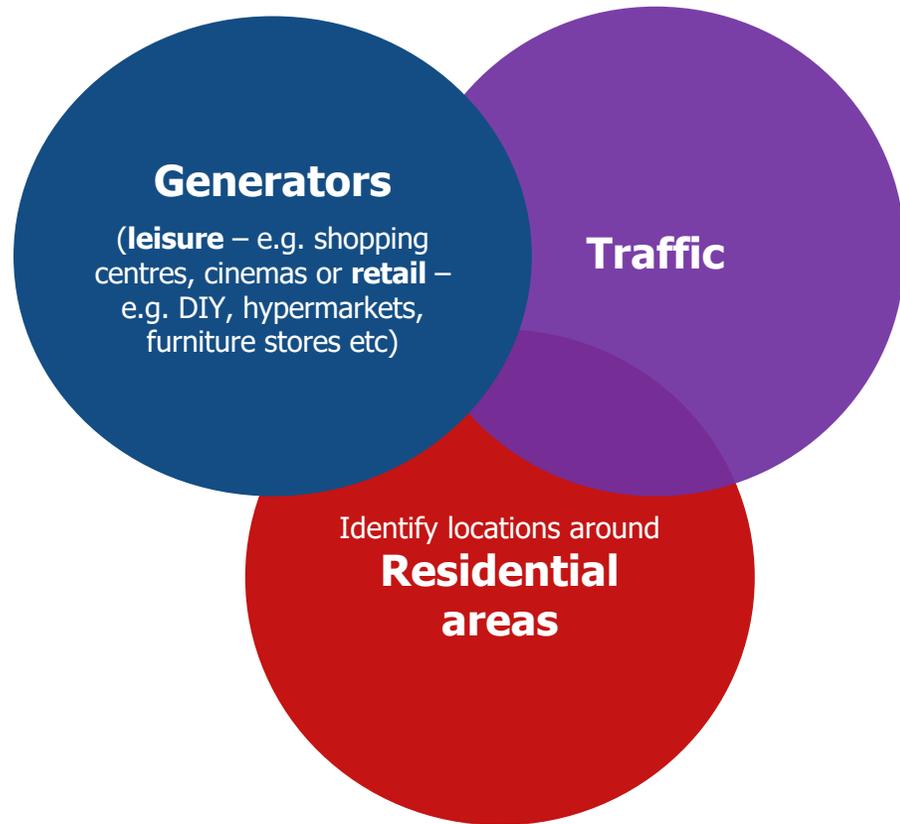
KFC



Development Plan

Efficient restaurant roll-out

Restaurant-selection criteria



New restaurant opening process



2023 Guidance



Indicator	Budget 2023		2022		Budget 2023 vs 2022
	RON mn	% Sales	RON mn	% Sales	
RON millions (mn)					
Restaurant Sales (*)	1,600.3	100.0%	1,322.8	100.0%	21.0%
Other Income	-	-	1.2	-	-
Food and Material	526.2	32.9%	457.1	34.6%	15.1%
Restaurant Gross Margin	1,074.0	67.1%	866.9	65.5%	23.9%
Restaurant Operational Expenses	850.3	53.1%	712.1	53.8%	19.4%
Restaurant Operating Profit	223.8	14.0%	154.8	11.7%	44.5%
G&A expenses	61.2	3.8%	52.2	3.9%	17.2%
EBITDA (normalized, excluding IFRS 16 impact) (*)	162.6	10.2%	102.7	7.8%	58.4%
Normalized Profit for the year (*)	83.4	5.2%	44.3	3.3%	88.3%
Free Cash Flow (*)	71.1		55.6		27.8%

2023 Guidance



General context: the budget is based on information available as of end of February 2023, under presumption of a normal course of business and considering that the overall inflation will be around 10% in 2023. The budget also takes into consideration the increase of the minimum wage starting with January 2023.

Topline performance: The Group estimates that the restaurant sales will increase with 21% compared to 2022, due to a combined effect of same stores sales growth and new stores sales. In 2023, the traditional channels will have an increased weight versus previous year. Consequently, the delivery channel will represent around 18% of sales.

Restaurant operating expenses: In respect to restaurant operating expenses, the assumed tempered increase of food and material costs in 2023 will contribute to the improvement of the gross margin of 1.6pp versus 2022. The costs of labor will be calibrated to match the ramp-up of the sales throughout the year. Energy cost is assumed to be predictable and in line with the regulations introduced in 2022.

G&A expenses: The weight of the normalized G&A expenses in total sales in 2023 shall be lower than in 2022, due to inelasticity of these costs in relation with activity volume increase. The company aims to achieve a normalized net profit higher with 88% than the one realized in 2022, significantly above the estimated increase in sales (+21%).

CAPEX: In terms of development, the Group plans to open 10 restaurants (8 KFCs in Romania and 2 Taco Bells), with an estimated CAPEX of approximately EUR 6.8 million. Store remodeling and the implementation of digital solutions are assumed around EUR 3.8 million.

Cash position: The Group estimates the cash position available at the end of 2023 to be around RON 90 million, while the bank debt is estimated to be around RON 190 million with a net bank debt of RON 100 million. The Group estimates an increase in free cash flow of 28% versus the result from 2022.



Annex 1: Key 9M 2023 Financials

Summary of 9M 2023 Consolidated FS

Summary of interim Consolidated Financial Statements for 9M (excluding IFRS 16 Impact):

Data in RON'000	9M-23	9M-22	Y/Y %	% of Sales		Δ%
			9M-23/ 9M-22	9M-23	9M-22	
Restaurant sales	1,074,736	953,594	12.7%			
Other restaurant income	-	1,172	-100.0%			
Restaurant expenses	974,145	889,856	9.5%	90.6%	93.3%	-2.7%
Food and material	355,068	334,743	6.1%	33.0%	35.1%	-2.1%
Payroll and employee benefits	243,059	212,475	14.4%	22.6%	22.3%	0.3%
Rent	78,065	68,954	13.2%	7.3%	7.2%	0.0%
Royalties	66,679	56,950	17.1%	6.2%	6.0%	0.2%
Advertising	55,982	48,580	15%	5.2%	5.1%	0.1%
Other operating expenses	140,690	137,677	2.2%	13.1%	14.4%	-1.3%
Depreciation and amortization	34,603	30,476	13.5%	3.2%	3.2%	0.0%
Restaurant operating profit	100,591	64,910	55.0%	9.4%	6.8%	2.6%
General & Admin expenses	46,370	39,824	16.4%	4.3%	4.2%	0.1%
Operating profit	54,221	25,086	116.1%	5.0%	2.6%	2.4%
Normalized operating profit¹	61,351	25,086	144.6%	5.7%	2.6%	3.1%
Finance costs	9,001	10,459	-13.9%	0.8%	1.1%	-0.3%
Finance income	1,191	368	223.8%	0.1%	0.0%	0.1%
Profit before tax	46,411	14,995	209.5%	4.3%	1.6%	2.7%
Normalized profit before tax¹	53,541	14,995	257.1%	5.0%	1.6%	3.4%
Income tax expense/ (credit)	10,611	(2,530)	-	1.0%	-0.3%	1.3%
Specific Tax	-	1,914	-100.0%	0.0%	0.2%	-0.2%
Profit for the period	35,800	15,610	129.3%	3.3%	1.6%	1.7%
Normalized profit for the period¹	42,929	15,610	175.0%	4.0%	1.6%	2.4%
EBITDA	92,072	58,272	58.0%	8.6%	6.1%	2.5%
Normalized EBITDA²	94,704	58,272	62.5%	8.8%	6.1%	2.7%

¹ Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

² EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

Summary of 9M Consolidated FS

(with and without IFRS 16 impact)



Summary of interim Consolidated Financial Statements for 9M – results and evolution presented with and without IFRS 16 impact

Data in RON'000	9M-23		9M-22		Change (%)	
	1	2	1	2	9M-23/ 9M-22 (1)	9M-23/ 9M-22 (2)
Restaurant sales	1,074,736	1,074,736	953,594	953,594	12.7%	12.7%
Other restaurant income	-	-	1,172	1,172	-100.0%	-100.0%
Restaurant expenses	966,241	974,145	884,818	889,856	9.2%	9.5%
Food and material	355,068	355,068	334,743	334,743	6.1%	6.1%
Payroll and employee benefits	243,059	243,059	212,475	212,475	14.4%	14.4%
Rent	25,468	78,065	22,471	68,954	13.3%	13.2%
Royalties	66,679	66,679	56,950	56,950	17.1%	17.1%
Advertising	55,982	55,982	48,580	48,580	15.2%	15.2%
Other operating expenses	140,460	140,690	137,677	137,677	2.0%	2.2%
Depreciation and amortization	79,525	34,603	71,921	30,476	10.6%	13.5%
Restaurant operating profit	108,496	100,591	69,948	64,910	55.1%	55.0%
General & Admin expenses	45,767	46,370	38,987	39,824	17.4%	16.4%
Operating profit	62,728	54,221	30,960	25,086	102.6%	116.1%
Normalized operating profit¹	69,857	61,351	30,960	25,086	125.6%	144.6%
Finance costs	20,245	9,001	16,830	10,459	20.3%	-13.9%
Finance income	1,191	1,191	368	368	223.8%	223.8%
Profit before tax	43,674	46,411	14,498	14,995	201.2%	209.5%
Normalized profit before tax¹	50,803	53,541	14,498	14,995	250.4%	257.1%
Income tax expense/ (credit)	10,582	10,611	(2,596)	(2,530)	-	-
Specific Tax	-	-	1,914	1,914	-100.0%	-100.0%
Profit for the period	33,092	35,800	15,180	15,610	118.0%	129.3%
Normalized profit for the period¹	40,222	42,929	15,180	15,610	165.0%	175.0%
EBITDA	147,930	92,072	107,521	58,272	37.6%	58.0%
Normalized EBITDA²	150,562	94,704	107,521	58,272	40.0%	62.5%

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

¹ Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

² EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

Breakdown of 9M 2023 results by entity

Breakdown of consolidated results by Group companies – 9M 2023 (excluding IFRS 16 Impact):

Data in RON'000	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons, Adj,	SFG Cons
Restaurant sales	776,130	86,657	14,960	135,023	61,972	29,807	(29,813)	1,074,736
Dividends revenue	-	-	-	-	-	73,003	(73,003)	-
Restaurant expenses	686,445	95,429	12,372	121,735	58,502		(338)	974,145
Food and material	266,282	23,868	6,068	37,014	21,832	-	3	355,068
Payroll and employee benefits	171,878	24,586	2,238	30,689	13,668	-	-	243,059
Rent	52,758	8,793	805	11,138	4,572	-	-	78,065
Royalties	46,640	7,312	897	8,086	3,744	-	-	66,679
Advertising	39,829	4,575	582	8,323	2,992	-	(319)	55,982
Other operating expenses	91,385	18,988	1,537	19,682	9,104	-	(6)	140,690
Depreciation	17,672	7,308	244	6,803	2,590	-	(15)	34,603
Restaurant operating profit/(loss)	89,685	(8,771)	2,587	13,289	3,470	102,809	(102,478)	100,591
G&A expenses	27,424	6,227	330	7,976	2,757	31,019	(29,364)	46,370
Operating profit/(loss)	62,261	(14,999)	2,257	5,312	713	71,790	(73,113)	54,221
Normalized operating profit/(loss)¹	62,621	(8,535)	2,257	5,312	712	72,095	(73,113)	61,351
Finance costs	6,383	785	41	2,339	1,244	2,806	(4,598)	9,001
Finance income	3,686	10	-	1	-	2,091	(4,598)	1,191
Profit/(Loss) before tax	59,564	(15,774)	2,216	2,974	(531)	71,074	(73,113)	46,411
Normalized profit/ (loss) before tax¹	59,924	(9,310)	2,216	2,974	(531)	71,380	(73,113)	53,541
Income tax expense/ (credit)	8,619	(33)	301	1,771	125	(173)	-	10,611
Profit/(Loss) for the period	50,945	(15,741)	1,914	1,203	(656)	71,247	(73,113)	35,800
Normalized profit/(loss) for the period¹	51,305	(9,277)	1,914	1,203	(656)	71,552	(73,113)	42,929
EBITDA	81,678	(6,961)	2,528	12,192	3,458	72,310	(73,134)	92,072
Normalized EBITDA²	81,678	(4,634)	2,528	12,192	3,458	72,616	(73,134)	94,704

¹ Profit was normalized for the period to exclude: the impairment for the closing of 13 Pizza Hut units, in line with the network reorganization plan (RON 4.1m), impairment for the temporary closing of KFC Romana and Paul Romana restaurants in Romania due to building restoration (RON 0.4m), closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

² EBITDA was normalized for the period to exclude: closing costs for the selected units as part of the PH network reorganization (RON 2.3m), as well as other provisions (litigation with a former non-executive director, RON 0.3m). There are no items of normalization in Q3 2022.

Overview of the 9M 2023 G&A expenses

(with and without IFRS 16 impact)

	Data in RON '000				Change (%)		Percentage of sales			
	9M-23	9M-23	9M-22	9M-22	2023/ 2022 (1)	2023/ 2022 (2)	9M-23	9M-23	9M-22	9M-22
	(1)	(2)	(1)	(2)			(1)	(2)	(1)	(2)
General and administration (G&A) expenses	45,767	46,370	38,987	39,824	17.4%	16.4%	6.6%	4.3%	6.4%	4.2%
Payroll and employee benefits	31,406	31,406	25,992	25,992	20.8%	20.8%				
Third-party services	5,112	5,112	5,162	5,162	-1.0%	-1.0%				
Depreciation and amortization	5,677	3,248	4,640	2,710	22.3%	19.9%				
Rent	174	3,205	212	2,978	-17.9%	7.6%				
Banking charges	561	561	536	536	4.7%	4.7%				
Transport	989	989	840	840	17.6%	17.6%				
Other*	1,849	1,849	1,605	1,605	15.2%	15.2%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.



Annex 2: Key 2022 Financials

Summary of 2022 Consolidated FS



Summary of Consolidated Financial Statements for FY (excluding IFRS16):

Data in RON'000	2022	2021	Y/Y %	% of Sales		Δ%
			2022/2021	2022	2021	
Restaurant sales	1,322,822	1,000,312	32.2%	-	-	-
Other restaurant income	1,172	2,627	-55.4%	-	-	-
Restaurant expenses	1,214,438	917,211	32.4%	91.8%	91.7%	0.1%
Food and material	457,108	327,645	39.5%	34.6%	32.8%	1.8%
Payroll and employee benefits	287,056	225,869	27.1%	21.7%	22.6%	-0.9%
Rent	94,646	72,515	30.5%	7.2%	7.2%	-0.1%
Royalties	78,803	59,987	31.4%	6.0%	6.0%	0.0%
Advertising	66,988	52,919	27%	5.1%	5.3%	-0.2%
Other operating expenses	184,560	141,735	30.2%	14.0%	14.2%	-0.2%
Depreciation and amortization	45,276	36,540	23.9%	3.4%	3.7%	-0.2%
Restaurant operating profit	109,555	85,728	27.8%	8.3%	8.6%	-0.3%
General & Admin expenses	56,389	50,537	11.6%	4.3%	5.1%	-0.8%
Operating Profit	53,166	35,192	51.1%	4.0%	3.5%	0.5%
Finance costs	13,307	8,364	59.1%	1.0%	0.8%	0.2%
Finance income	496	150	231.4%	0.0%	0.0%	0.0%
Profit before tax	40,355	26,977	49.6%	3.1%	2.7%	0.4%
Income tax expense/(credit)	(1,264)	(2,853)	-55.7%	-0.1%	-0.3%	0.2%
Specific Tax	2,565	2,424	5.8%	0.2%	0.2%	0.0%
Profit for the year	39,054	27,407	42.5%	3.0%	2.7%	0.2%
Normalized Profit for the year**	44,270	25,880	71.1%	3.3%	2.6%	0.8%
EBITDA	102,161	75,004	36.2%	7.7%	7.5%	0.2%
Normalized EBITDA*	102,655	73,477	39.7%	7.8%	7.3%	0.4%

(*) EBITDA for 2022 was normalized to exclude the provisions related to the closing of non-performing stores in amount of RON 494k. EBITDA for 2021 was normalized to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods (RON 1,527k).

(**) Net profit for 2022 was normalized to exclude the impairment of non-current assets (RON 4,723k) and other costs related to the closing of non-performing stores (RON 494k). Net profit for 2021 was normalized to exclude the reversal of accrued penalties due to Pizza Hut Europe (Master Franchisor) for the restaurants committed to be opened in 2019 and postponed for the future periods (RON 1,527k).

Summary of 2022 Consolidated FS

(with and without IFRS 16 impact)



Summary of the Consolidated Financial Statements for FY – results and evolution presented with and without IFRS 16 impact

Data in RON'000	2022		2021		Change (%)	
	(1)	(2)	(1)	(2)	2022/2021 (1)	2022/2021 (2)
Restaurant sales	1,322,822	1,322,822	1,000,312	1,000,312	32.2%	32.2%
Other restaurant income	1,172	1,172	2,627	2,627	-55.4%	-55.4%
Restaurant expenses	1,207,065	1,214,438	915,260	917,211	31.9%	32.4%
Food and material	457,108	457,108	327,645	327,645	39.5%	39.5%
Payroll and employee benefits	287,056	287,056	225,869	225,869	27.1%	27.1%
Rent	32,110	94,646	17,058	72,515	88.2%	30.5%
Royalties	78,803	78,803	59,987	59,987	31.4%	31.4%
Advertising	66,988	66,988	52,919	52,919	26.6%	26.6%
Other operating expenses	184,450	184,560	141,735	141,735	30.1%	30.2%
Depreciation and amortization	100,551	45,276	90,046	36,540	11.7%	23.9%
Restaurant operating Profit	116,928	109,555	87,680	85,728	33.4%	27.8%
General & Admin expenses	55,572	56,389	49,947	50,537	11.3%	11.6%
Operating Profit	61,356	53,166	37,733	35,192	62.6%	51.1%
Finance costs	23,062	13,307	20,497	8,364	12.5%	59.1%
Finance income	496	496	150	150	231.4%	231.4%
Profit before tax	38,790	40,355	17,386	26,977	123.1%	49.6%
Income tax expense/(credit)	(1,725)	(1,264)	(3,701)	(2,853)	-53.4%	-55.7%
Specific Tax	2,565	2,565	2,424	2,424	5.8%	5.8%
Profit for the period	37,950	39,054	18,664	27,407	103.3%	42.5%
Normalized Profit/ for the year**	43,167	44,270	17,137	25,880	151.9%	71.1%
EBITDA	168,495	102,161	133,921	75,004	25.8%	36.2%
Normalized EBITDA*	168,988	102,655	132,394	73,477	27.6%	39.7%

Notes: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. Normalized EBITDA for 2021 – excludes the reversal of penalties from franchisor Pizza Hut.

(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation. Normalized profit for 2021 excludes the reversal of penalties from franchisor Pizza Hut.

Breakdown of 2022 results by entity

Breakdown of consolidated results by Group companies in 2022 (excluding IFRS 16 Impact):

Data in RON'000	2022							
	USFN (RO)	ARS	USFN (MD)	USFN (IT)	CFF	SFG	Cons. Adj.	SFG Cons
Restaurant sales	946,881	122,918	17,393	166,335	69,303	35,080	(35,088)	1,322,822
Dividends revenue	-	-	-	-	-	50,502	(50,502)	-
Other restaurant income	1,172	-	-	-	-	-	-	1,172
Restaurant expenses	839,637	125,544	14,739	168,023	66,908	-	(414)	1,214,438
Food and material	342,281	36,515	7,783	46,659	23,870	-	-	457,108
Payroll and employee benefits	195,704	33,989	2,287	39,077	16,000	-	-	287,056
Rent	63,345	11,337	995	13,614	5,355	-	-	94,646
Royalties	56,374	7,272	1,045	9,929	4,184	-	-	78,803
Advertising	45,951	6,750	506	10,717	3,452	-	(389)	66,988
Other operating expenses	114,770	24,803	1,797	32,312	10,883	-	(5)	184,560
Depreciation	21,212	4,878	326	15,716	3,163	-	(20)	45,276
Restaurant operating profit/(loss)	108,415	(2,626)	2,654	(1,688)	2,395	85,582	(85,176)	109,555
G&A expenses	31,782	8,032	305	11,001	3,180	40,641	(38,550)	56,389
Operating profit/(loss)	76,633	(10,658)	2,349	(12,689)	(785)	44,941	(46,626)	53,166
Finance costs	9,792	1,059	87	2,965	1,844	2,913	(5,353)	13,307
Finance income	4,033	8	-	1	-	1,807	(5,353)	496
Profit/(Loss) before tax	70,874	(11,709)	2,262	(15,653)	(2,628)	43,835	(46,626)	40,355
Income tax expense/(credit)	631	724	297	(4,289)	908	464	-	(1,264)
Specific tax expense	1,629	719	-	-	217	-	-	2,565
Profit/(Loss) for the period	68,614	(13,153)	1,966	(11,364)	(3,753)	43,370	(46,626)	39,054
Normalized Profit/(Loss) for the period**	68,614	(12,869)	1,966	(6,432)	(3,753)	47,392	(50,648)	44,270
EBITDA	99,817	(5,117)	2,712	3,206	2,548	45,648	(46,653)	102,161
Normalized EBITDA*	99,817	(5,117)	2,712	3,700	2,548	49,670	(50,675)	102,655

(*) Normalized EBITDA for 2022 – excludes other provisions related to closing of stores. At individual level, normalized EBITDA for 2022 excludes the impairment loss for the investment in ARS (4,022) registered in SFG.

(**) Normalized profit for 2022 – excludes other provisions related to closing of stores and the related thereto depreciation.

Overview of the 2022 G&A expenses

(with and without IFRS 16 impact)

	Data in RON '000				Change (%)		Percentage of sales			
	2022 (1)	2022 (2)	2021 (1)	2021 (2)	2022/ 2021 (1)	2022/ 2021 (2)	2022 (1)	2022 (2)	2021 (1)	2021 (2)
General and administration (G&A) expenses	55,572	56,389	49,947	50,537	11.3%	11.6%	4.2%	4.3%	5.0%	5.1%
Payroll and employee benefits	36,488	36,488	30,374	30,374	20.1%	20.1%				
Third-party services	7,210	7,210	5,925	5,925	21.7%	21.7%				
Depreciation and amortization	6,588	3,720	6,142	3,272	7.3%	13.7%				
Rent	264	3,949	357	3,816	-26.1%	3.5%				
Banking charges	773	773	4,122	4,122	-81.2%	-81.2%				
Transport	1,203	1,203	781	781	53.9%	53.9%				
Other*	3,047	3,047	2,246	2,246	35.6%	35.6%				

Note: (1) Including the impact of the adoption of IFRS 16; (2) Excluding the impact of the adoption of IFRS 16.

*Other expenses include maintenance & repairs, smallware, insurance, advertising, phone & postage, miscellaneous expenses.

Starting 1st of January 2022, the banking charges related to the POS commissions, in amount of 4,506 in 2022 are presented within Other operating expenses category, being directly related to the operating sales activity. In 2021, these banking charges in amount of 2,262 were presented within General and administrative expenses category.



Thank you!

For any follow-up questions related to Sphera Franchise Group's activity on the Bucharest Stock Exchange, please contact **Zuzanna Kurek**, IRO at: investor.relations@spheragroup.com.